

AUDITING PROCEDURES REPORT

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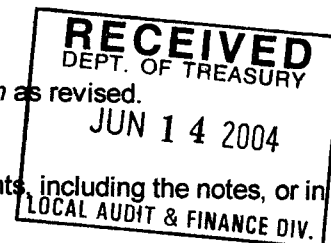
Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Hiawatha	County Schoolcraft
Audit Date March 31, 2004	Opinion Date May 25, 2004	Date Accountant Report Submitted to State: May 25, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

✓
TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

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GENERAL PURPOSE FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Year Ended March 31, 2004

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

May 25, 2004

To the Township Board
Township of Hiawatha
Schoolcraft County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Hiawatha, Schoolcraft County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Hiawatha's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Township has not maintained a record of its general fixed assets, and accordingly, a statement of general fixed assets, required by generally accepted accounting principles is not included in the general purpose financial statements.

In our opinion, except that the omission of the financial statement described above results in an incomplete presentation, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Hiawatha, Schoolcraft County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Hiawatha, Schoolcraft County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 2004

EXHIBIT A

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Agency</u>
<u>Assets</u>			
Cash in bank	299 578 54	51 895 73	175 96
Due from other funds	175 96	-	-
Amount to be provided for retirement of general long-term debt	-	-	-
Total Assets	<u>299 754 50</u>	<u>51 895 73</u>	<u>175 96</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Contract payable	-	-	-
Due to other funds	-	-	175 96
Total liabilities	-	-	175 96
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	299 754 50	51 895 73	-
Total fund equity	<u>299 754 50</u>	<u>51 895 73</u>	-
Total Liabilities and Fund Equity	<u>299 754 50</u>	<u>51 895 73</u>	<u>175 96</u>

The accompanying notes are an integral part of these financial statements.

<u>Account Group</u> <u>General Long-</u> <u>Term Debt</u>	<u>Total</u> <u>(Memorandum</u> <u>Only)</u>
-	351 650 23
-	175 96
<u>219 870 35</u>	<u>219 870 35</u>
<u>219 870 35</u>	<u>571 696 54</u>
219 870 35	219 870 35
-	175 96
<u>219 870 35</u>	<u>220 046 31</u>
-	351 650 23
-	351 650 23
<u>219 870 35</u>	<u>571 696 54</u>

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

EXHIBIT B

Year Ended March 31, 2004

Page 1

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Revenues:			
Payments in lieu of taxes	84 643 37	-	84 643 37
Federal grants	146 500 00	-	146 500 00
State revenue sharing	90 026 55	-	90 026 55
Charges for services - cemetery	-	300 00	300 00
Interest	4 055 52	1 477 11	5 532 63
Rent	-	21 936 00	21 936 00
Miscellaneous	7 043 23	-	7 043 23
Total revenues	<u>332 268 67</u>	<u>23 713 11</u>	<u>355 981 78</u>
Expenditures:			
Legislative:			
Township Board	3 000 00	-	3 000 00
General government:			
Supervisor	6 060 00	-	6 060 00
Assessor	12 907 77	-	12 907 77
Elections	1 156 28	-	1 156 28
Clerk	6 060 00	-	6 060 00
Board of Review	1 332 64	-	1 332 64
Treasurer	6 060 00	-	6 060 00
Building and grounds	7 070 49	19 009 94	26 080 43
Cemetery	-	1 858 98	1 858 98
Professional services	34 861 50	-	34 861 50
Unallocated	12 628 20	-	12 628 20
Public safety:			
Fire protection	42 221 55	-	42 221 55
Public works:			
Street maintenance	1 831 56	-	1 831 56
Street lighting	3 331 44	-	3 331 44
Other:			
Insurance	15 091 18	-	15 091 18
Retirement plan	4 632 08	-	4 632 08
Payroll taxes	1 023 19	-	1 023 19
Capital outlay	230 991 00	-	230 991 00
Debt service	60 000 00	-	60 000 00
Total expenditures	<u>450 258 88</u>	<u>20 868 92</u>	<u>471 127 80</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B
Page 2

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Excess (deficiency) of revenues over expenditures	<u>(117 990 21)</u>	<u>2 844 19</u>	<u>(115 146 02)</u>
Other financing sources (uses):			
Operating transfers in	93 028 78	10 000 00	103 028 78
Operating transfers out	<u>(10 000 00)</u>	<u>(93 028 78)</u>	<u>(103 028 78)</u>
Total other financing sources (uses)	<u>83 028 78</u>	<u>(83 028 78)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(34 961 43)	(80 184 59)	(115 146 02)
Fund balances, April 1	<u>334 715 93</u>	<u>132 080 32</u>	<u>466 796 25</u>
Fund Balances, March 31	<u>299 754 50</u>	<u>51 895 73</u>	<u>351 650 23</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C
Page 1

	General Fund		Over (Under) Budget
	Budget	Actual	Budget
Revenues:			
Payments in lieu of taxes	85 000 00	84 643 37	(356 63)
Federal grants	146 000 00	146 500 00	500 00
State revenue sharing	96 000 00	90 026 55	(5 973 45)
Charges for services - cemetery	-	-	-
Interest	4 620 00	4 055 52	(564 48)
Rent	-	-	-
Miscellaneous	-	7 043 23	7 043 23
Total revenues	<u>331 620 00</u>	<u>332 268 67</u>	<u>648 67</u>
Expenditures:			
Legislative:			
Township Board	3 000 00	3 000 00	-
General government:			
Supervisor	6 060 00	6 060 00	-
Elections	1 500 00	1 156 28	(343 72)
Assessor	15 000 00	12 907 77	(2 092 23)
Clerk	6 060 00	6 060 00	-
Board of Review	2 000 00	1 332 64	(667 36)
Treasurer	6 060 00	6 060 00	-
Building and grounds	8 000 00	7 070 49	(929 51)
Cemetery	-	-	-
Professional services	35 000 00	34 861 50	(138 50)
Unallocated	22 800 00	12 628 20	(10 171 80)
Public safety:			
Fire protection	62 500 00	42 221 55	(20 278 45)
Public works:			
Street maintenance	2 000 00	1 831 56	(168 44)
Street lighting	3 500 00	3 331 44	(168 56)
Sanitation	27 835 23	-	(27 835 23)
Other:			
Insurance	16 000 00	15 091 18	(908 82)
Retirement	5 000 00	4 632 08	(367 92)
Payroll taxes	2 000 00	1 023 19	(976 81)
Capital outlay	239 060 00	230 991 00	(8 069 00)
Debt service	<u>60 000 00</u>	<u>60 000 00</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements.

Budget	Actual	Over (Under) Budget
-	-	-
-	-	-
-	-	-
800 00	300 00	(500 00)
1 100 00	1 477 11	377 11
23 300 00	21 936 00	(1 364 00)
-	-	-
<u>25 200 00</u>	<u>23 713 11</u>	<u>(1 486 89)</u>

[illegible]

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS
Year Ended March 31, 2004

EXHIBIT C
Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Total expenditures	<u>523 375 23</u>	<u>450 258 88</u>	<u>(73 116 35)</u>
Excess (deficiency) of revenues over expenditures	<u>(191 755 23)</u>	<u>(117 990 21)</u>	<u>73 765 02</u>
Other financing sources (uses):			
Operating transfers in	93 060 00	93 028 78	(31 22)
Operating transfers out	<u>(5 000 00)</u>	<u>(10 000 00)</u>	<u>(5 000 00)</u>
Total other financing sources (uses)	<u>88 060 00</u>	<u>83 028 78</u>	<u>(5 031 22)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(103 695 23)</u>	<u>(34 961 43)</u>	<u>68 733 80</u>
Fund balances, April 1	<u>325 081 48</u>	<u>334 715 93</u>	<u>9 634 45</u>
Fund Balances, March 31	<u>221 386 25</u>	<u>299 754 50</u>	<u>78 368 25</u>

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Funds</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<u>24 400 00</u>	<u>20 868 92</u>	<u>(3 531 08)</u>
<u>800 00</u>	<u>2 844 19</u>	<u>2 044 19</u>
5 000 00	10 000 00	5 000 00
<u>(93 060 00)</u>	<u>(93 028 78)</u>	<u>31 22</u>
<u>(88 060 00)</u>	<u>(83 028 78)</u>	<u>5 031 22</u>
(87 260 00)	(80 184 59)	7 075 41
<u>132 235 22</u>	<u>132 080 32</u>	<u>(154 90)</u>
<u><u>44 975 22</u></u>	<u><u>51 895 73</u></u>	<u><u>6 920 51</u></u>

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Hiawatha, Schoolcraft County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Hiawatha. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund

This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Account Group

General Long-Term Debt Account Group

This account group presents the balance of general obligation long-term debt.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources management focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes are accrued in the year in which they are levied. The tax levy is recorded as deferred revenue until the subsequent year when it becomes available for use.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county delinquent tax rolls. The Township 2003 tax roll millage rate was 0.0 mills and the taxable value was \$40,519,707.00.

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Fixed Assets

Purchases of general fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. The Township has not recorded the General Fixed Assets Group of Accounts, which is required by generally accepted accounting principles.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Complied Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Deposits and Investments (continued)

The Township Board has designated four banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>351 650 23</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	300 404 32
Uninsured and Uncollateralized	<u>51 285 91</u>
Total Deposits	<u>351 690 23</u>

The Township of Hiawatha did not have any investments as of March 31, 2004.

Note 3 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>175 96</u>	Current Tax Collection	<u>175 96</u>

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 4 – Changes in General Long-Term Debt

A summary of changes in general long-term debt follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/04</u>
Contract payable	<u>158 803 95</u>	<u>121 066 40</u>	<u>60 000 00</u>	<u>219 870 35</u>
Totals	<u>158 803 95</u>	<u>121 066 40</u>	<u>60 000 00</u>	<u>219 870 35</u>

Note 5 – Contract Payable

The contract payable represents amounts due to the Schoolcraft County Road Commission. The long-term liability of \$219,870.35 is recorded in the General Long-Term Debt Account Group.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Retirement Plan

The Township has a retirement plan that covers all full-time employees of the Township. Under the plan, the Township contributes amounts based on the employees earnings. The Township's retirement contributions amounted to \$4,632.08 for the year ended March 31, 2004.

Note 8 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 9 – Transfers In and Transfers Out

For the fiscal year ended, March 31, 2004, the Township made the following interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
General	93 028 78	Fire Equipment	93 028 78
Fire Equipment	<u>10 000 00</u>	General	<u>10 000 00</u>
Total	<u>103 028 78</u>	Total	<u>103 028 78</u>

Note 10 – Building Permits

The Township of Hiawatha does not issue building permits. Building permits are issued by the County of Schoolcraft.

Note 11 – Total Columns on Combined Statements –Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS EXHIBIT D
March 31, 2004

	<u>Community Center</u>	<u>Fire Equipment</u>	<u>Cemetery</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	<u>16 437 96</u>	<u>5 003 67</u>	<u>30 454 10</u>	<u>51 895 73</u>
Total Assets	<u>16 437 96</u>	<u>5 003 67</u>	<u>30 454 10</u>	<u>51 895 73</u>
<u>Liabilities and Fund Balances</u>				
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Unreserved:				
Undesignated	<u>16 437 96</u>	<u>5 003 67</u>	<u>30 454 10</u>	<u>51 895 73</u>
Total Liabilities and Fund Balances	<u>16 437 96</u>	<u>5 003 67</u>	<u>30 454 10</u>	<u>51 895 73</u>

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS

EXHIBIT E

Year Ended March 31, 2004

	<u>Community Center</u>	<u>Fire Equipment</u>	<u>Cemetery</u>	<u>Total</u>
Revenues:				
Charges for services-cemetery	-	-	300 00	300 00
Interest	77 58	352 25	1 047 28	1 477 11
Rent	<u>21 936 00</u>	<u>-</u>	<u>-</u>	<u>21 936 00</u>
Total revenues	<u>22 013 58</u>	<u>352 25</u>	<u>1 347 28</u>	<u>23 713 11</u>
Expenditures:				
Building and grounds:				
Contracted services	1 806 00	-	-	1 806 00
Repairs and maintenance	3 984 56	-	-	3 984 56
Utilities	13 219 38	-	-	13 219 38
Cemetery:				
Repairs and maintenance	<u>-</u>	<u>-</u>	<u>1 858 98</u>	<u>1 858 98</u>
Total expenditures	<u>19 009 94</u>	<u>-</u>	<u>1 858 98</u>	<u>20 868 92</u>
Excess (deficiency) of revenues over expenditures	<u>3 003 64</u>	<u>352 25</u>	<u>(511 70)</u>	<u>2 844 19</u>
Other financing sources (uses):				
Operating transfers in	-	10 000 00	-	10 000 00
Operating transfers out	<u>-</u>	<u>(93 028 78)</u>	<u>-</u>	<u>(93 028 78)</u>
Total other financing sources (uses)	<u>-</u>	<u>(83 028 78)</u>	<u>-</u>	<u>(83 028 78)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	3 003 64	(82 676 53)	(511 70)	(80 184 59)
Fund balances, April 1	<u>13 434 32</u>	<u>87 680 20</u>	<u>30 965 80</u>	<u>132 080 32</u>
Fund Balances, March 31	<u>16 437 96</u>	<u>5 003 67</u>	<u>30 454 10</u>	<u>51 895 73</u>

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended March 31, 2004

EXHIBIT F

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>Assets</u>				
Cash in bank	53 76	724 372 42	724 250 22	175 96
Total Assets	<u>53 76</u>	<u>724 372 42</u>	<u>724 250 22</u>	<u>175 96</u>
<u>Liabilities</u>				
Due to other funds	53 76	148 55	26 35	175 96
Due to other units	-	724 223 87	724 223 87	-
Total Liabilities	<u>53 76</u>	<u>724 372 42</u>	<u>724 250 22</u>	<u>175 96</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

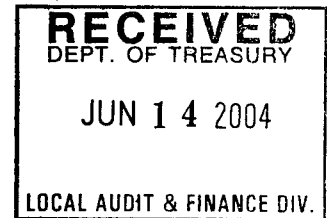
512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 25, 2004

To the Township Board
Township of Hiawatha
Schoolcraft County, Michigan



We have audited the financial statements of the Township of Hiawatha, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Hiawatha in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board
Township of Hiawatha
Schoolcraft County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board
Township of Hiawatha
Schoolcraft County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Hiawatha will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants